

Message Text

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14

ACTION ARA-10

INFO OCT-01 ISO-00 FEA-01 PA-01 PRS-01 ERDA-05 AID-05

CEA-01 CIAE-00 CIEP-01 COME-00 DODE-00 EB-07 FPC-01

H-02 INR-07 INT-05 L-03 NSAE-00 NSC-05 OMB-01 PM-04

USIA-06 SAM-01 OES-06 SP-02 SS-15 STR-04 TRSE-00

ACDA-07 FRB-03 XMB-02 OPIC-03 LAB-04 SIL-01 /115 W

----- 048166

R 231120Z SEP 76

FM AMEMBASSY BRASILIA

TO SECSTATE WASHDC 7952

AMEMBASSY LA PAZ

INFO AMCONSUL RIO DE JANEIRO

AMCONSUL SAO PAULO

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E. O. 11652: N/A

TAGS: BEXP; EMIN; BR, BL

SUBJECT: PROBLEMS IN IMPLEMENTING BRAZIL-BOLIVIA GAS AGREEMENT

1. SUMMARY. THE SECOND MEETING OF THE BRAZIL-BOLIVIA COMMITTEE ON ECONOMIC AND TECHNICAL COOPERATION (COBBET), ORIGINALLY SCHEDULED FOR APRIL 1976, HAS BEEN REPEATEDLY POSTPONED WITH NO NEW DATE IN SIGHT. BRAZILIAN OFFICIALS ARE RETICENT ON THE MATTER BUT BOLIVIAN EMBASSY IS FRANKLY DOUBTFUL FINAL AGREEMENT ON SANTA CRUZ-CORUMBA GAS LINE AND OTHER JOINT PROJECTS CAN BE REACHED BEFORE 1977. END SUMMARY.

2. THE FIRST MEETING OF COBBET, HELD IN SANTA CRUZ IN DECEMBER 1975, OUTLINED SEVERAL MAJOR PROJECTS WHICH BRAZIL AND BOLIVIA AGREED TO DEVELOP JOINTLY. CHIEF AMONG THESE WERE A 640 KM. GAS PIPELINE FROM SANTA CRUZ TO CORUMBA, MATO GROSSO, AND THE CONSTRUCTION OF AN INDUSTRIAL

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COMPLEX IN SOUTHEAST BOLIVIA THAT WOULD INCLUDE CEMENT, PETRO-

CHEMICAL, AND STEEL PLANTS. BRAZILIAN PARTICIPATION WAS ENVISAGED IN THE FORM OF PROCURING FINANCING, PROVIDING ENGINEERING SERVICES, AND IMPORTING VARIOUS PRODUCTS, PARTICULARLY SPONGE IRON, FROM THE INDUSTRIAL COMPLEX.

3. THE SECOND MEETING OF COBBET, ORIGINALLY SCHEDULE FOR APRIL 26 IN RIO DE JANEIRO, WAS PLANNED TO WORK OUT THE DETAILS FOR THE IMPLEMENTATION OF THESE PROJECTS. HOWEVER, A SERIES OF PROBLEMS AND DELAYS HAVE ARISEN WHICH HAVE CAUSED THE REPEATED POSTPONEMENT OF THE MEETING. ACCORDING TO A BOLIVIAN EMBOFF, ONE OF THE MAJOR PROBLEMS HAS BEEN THE STRONG NATIONALISTIC OBJECTION IN BOLIVIAN POLITICAL CIRCLES TO THE EXPORT OF A PRECIOUS NATURAL RESOURCE (GAS), EVEN THOUGH IT COULD CONTRIBUTE TO MAINTAINING BOLIVIA'S POSITIVE BUT FRAGILE BOP SITUATION. FURTHERMORE, ACCORDING TO THE EMBOFF, HIS COUNTRY DOES NOT WANT TO APPEAR TOO ANXIOUS TO EXPAND ECONOMIC TIES WITH BRAZIL AND RISK AROUSING CHILEAN OR PERUVIAN SUSPICIONS ABOUT ITS DESIRE TO REGAIN ACCESS TO THE SEA.

4. LA PAZ WAS ALSO REPORTEDLY CONCERNED ABOUT BRAZILIAN PLANS TO ESTABLISH A SPONGE IRON PLANT IN CORUMBA TO BE FUELED BY BOLIVIAN GAS. BOLIVIA APPARENTLY FEARED THAT BRAZIL WOULD SUBSEQUENTLY RENEGE ON ITS PROMISED SPONGE IRON IMPORTS WHILE ENTERING INTO COMPETITION WITH BOLIVIA FOR REGIONAL MARKETS IN LATE MAY, HOWEVER, IT WAS REPORTED THAT, AFTER A PRIVATE MEETING BETWEEN PRES. GEISEL AND AMBASSADOR TERCEROS BANZER (FIRST COUSING OF PRES. BANZER), THE BRAZILIAN GOVERNMENT PROMISED NOT TO CONSTRUCT SUCH A PLANT NEAR THE BOLIVIAN BORDER. SUBSEQUENT REPORTS, NEVERTHELESS, HAVE INDICATED THAT BRAZIL IS STILL CONSIDERING SUCH A POSSIBILITY.

5. FURTHER COMPLICATING THE ISSUE HAVE BEEN BOLIVIAN DELAYS IN COMPLETING THE ENGINEERING STUDIES FOR THE GAS PIPE, BRAZILIAN PROCRASTINATION IN SUBMITTING SIMILAR STUDIES FOR THE PROPOSED SANTA CRUZ-COCHABAMBA RAILROAD (ALSO PART OF THE ORIGINAL AGREEMENT), ANNOUNCED DISCOVERIES OF NEW GAS FIELDS IN ROBORE (ONLY 250 KM. FROM THE BRAZILIAN BORDER), AND REPORTED BRAZILIAN DIFFICULTIES IN OBTAINING LIMITED OFFICIAL USE

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INTERNATIONAL FINANCING FOR THE VARIOUS PROJECTS.

6. LOCAL AND NATIONAL PRESS DID NOT REPORT THE RESULTS OF THE RECENT VISIT TO LA PAZ BY A BRAZILIAN DELEGATION AND FONMIN OFFICIALS WERE CLEARLY HESITANT TO DISCUSS THE MATTER. BOLIVIAN EMBOFF ALSO PREFERRED NOT TO REVEAL FULL DETAILS OF THE VISIT UNTIL AMB. TERCEROS RETURNS FROM CURRENT CONSULTATIONS IN LA PAZ. HOWEVER, BOLIVIAN EMBOFF

STATED PROSPECTS FOR QUICK SOLUTION TO ABOVE PROBLEMS ARE
VERY DIM AND THAT HIS EMBASSY DOES NOT BELIEVE FINAL
WORKING AGREEMENTS WILL BE REACHED BEFORE WELL INTO 1977.
CRIMMINS

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Message Attributes

Automatic Decaptioning: X
Capture Date: 01 JAN 1994
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: NATURAL GAS, MEETINGS, TECHNOLOGICAL EXCHANGES
Control Number: n/a
Copy: SINGLE
Draft Date: 23 SEP 1976
Decaption Date: 01 JAN 1960
Decaption Note:
Disposition Action: RELEASED
Disposition Approved on Date:
Disposition Authority: GolinoFR
Disposition Case Number: n/a
Disposition Comment: 25 YEAR REVIEW
Disposition Date: 28 MAY 2004
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1976BRASIL08195
Document Source: CORE
Document Unique ID: 00
Drafter: n/a
Enclosure: n/a
Executive Order: N/A
Errors: N/A
Film Number: D760360-0673
From: BRASILIA
Handling Restrictions: n/a
Image Path:
ISecure: 1
Legacy Key: link1976/newtext/t19760929/aaaaayvg.tel
Line Count: 119
Locator: TEXT ON-LINE, ON MICROFILM
Office: ACTION ARA
Original Classification: LIMITED OFFICIAL USE
Original Handling Restrictions: n/a
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
Page Count: 3
Previous Channel Indicators: n/a
Previous Classification: LIMITED OFFICIAL USE
Previous Handling Restrictions: n/a
Reference: n/a
Review Action: RELEASED, APPROVED
Review Authority: GolinoFR
Review Comment: n/a
Review Content Flags:
Review Date: 09 JUL 2004
Review Event:
Review Exemptions: n/a
Review History: RELEASED <09 JUL 2004 by ellisoob>; APPROVED <12 JUL 2004 by GolinoFR>
Review Markings:

Margaret P. Grafeld
Declassified/Released
US Department of State
EO Systematic Review
04 MAY 2006

Review Media Identifier:
Review Referrals: n/a
Review Release Date: n/a
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
Secure: OPEN
Status: NATIVE
Subject: PROBLEMS IN IMPLEMENTING BRAZIL-BOLIVIA GAS AGREEMENT
TAGS: BEXP, EMIN, ENRG, BR, BL
To: STATE LA PAZ
Type: TE
Markings: Margaret P. Grafeld Declassified/Released US Department of State EO Systematic Review 04 MAY 2006